Central Bank of Kenya

PRESENTATION ON THE STATUS AND OUTLOOK OF KENYA'S BANKING SECTOR

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Dr. Patrick Njoroge

Outline

1. The Banking Sector
2. Kenya's Banking Sector Policy Response to COVID-19

1. Banking Sector remains stable and resilient

- Strong liquidity and capital adequacy ratios at the end of April:
  - Capital adequacy ratio was 18.43 percent (statutory minimum of 14.5 percent).
  - Liquidity ratio stood at 51.17 percent (statutory minimum of 20 percent).
- The ratio of gross non-performing loans (NPLs) to gross loans stood at 13.1 percent in April compared to 12.5 percent in March 2020.
- Private sector credit grew by 9.0 percent in the 12 months to April, with strong growth in credit observed in manufacturing, trade, transport and communication, building and construction, and consumer durables.

2a. Measures By CBK to Mitigate the Impact of COVID-19 Pandemic

- **Digital Platforms:** On March 16, CBK announced a set of measures to facilitate increased use of mobile money transactions instead of cash.
- **Bank borrowers:** On March 18, CBK announced emergency measures to mitigate the adverse economic effects on bank borrowers.
- **Monetary Policy:** On March 23, the CBK's Monetary Policy Committee (MPC) lowered.
  - The Central Bank Rate (CBR) from 8.25 percent to 7.25 percent.
  - The Cash Reserve Ratio (CRR) from 5.25 percent to 4.25 percent.
- **Business Continuity:** On March 25, CBK instructed banks to activate their precautionary measures to ensure continuity of operations.
- **Pandemic Planning:** On March 27, CBK issued further guidance on Pandemic Planning for the banking sector.
- **Monetary Policy:** On April 29, the MPC lowered the CBR from 7.25 percent to 7.00 percent.

2b. Impact of COVID-19 Mitigation Measures on the Banking Sector

Personal/Household Loans Extended – April 30, 2020

	March 2020				April 2020			
	Number of Loan Accounts	% of Total Extensions (Accounts	Amount Outstanding (Ksh.'000)	% of Total Extensions (Amounts)	Number of Loan Accounts	% of Total Extensions (Accounts	Amount Outstanding (Ksh.'000)	% of Total Extensions (Amounts)
1 - 3 Months	231	3.59	567,823	5.76	11,022	27.75	16,767,150	16.36
3 - 6 Months	5,018	78.04	4,446,754	45.13	26,188	65.92	23,152,493	22.58
6 - 9 Months	4	0.06	13,251	0.13	1,315	3.31	13,743,698	13.41
9 - 12 Months	1,177	18.30	4,824,378	48.97	1,200	3.02	48,853,397	47.65
Grand Total	**6,430**	**100.00**	**9,852,207**	**100.00**	**39,725**	**100.00**	**102,516,738**	**100.00**

- The extended Personal/Household loans at as end April were:
  - 39,725 loan accounts; from 6,430 loan accounts in March .
  - Worth Ksh.102.5 billion; from Ksh.9.9 billion in March.
  - 13.1 percent of the banking sector Personal/Household gross loans of Ksh.780.0 billion, from 1.2 percent in March.
  - 3.6 percent of the total banking sector loan book as at April (Ksh.2,868.05 billion) compared to 0.35 percent in March 2020 (Ksh.2,847.44 billion).
- Most of the loans extended were for 9-12 months, which accounted for 47.7 percent of the Personal/household sector loans extended.
- 26 out of 39 banks reported having extended Personal/Household loans in April, an increase from 13 banks in March 2020.

2b. Impact of COVID-19 Mitigation Measures on the Banking Sector

Restructured Loans in Other Sectors - April 2020

Number of Accounts Restructured						
	Nature of restructuring					
	Renegotiated Terms (maturity, interest rates, fees)	Moratorium (on Principal or interest)	Interest rates/ Fees freeze	Other Form of Restructuring	Total	% of total per sector
Agriculture	427	2,972	1	7	3,407	7.5
Manufacturing	192	576	1	35	804	1.8
Building and construction	65	339	-	7	411	0.9
Mining and Quarrying	5	53	-	-	58	0.1
Energy and water	8	94	-	3	105	0.2
Trade	1,034	35,736	3	81	36,854	80.9
Tourism, Restaurant and Hotels	68	263	1	16	348	0.8
Transport and Communication	160	1,645	-	18	1,823	4.0
Real Estate	246	1,253	-	16	1,515	3.3
Financial Services	43	167	-	2	212	0.5
Total	**2,248**	**43,098**	**6**	**185**	**45,537**	**100.0**

2b. Impact of COVID-19 Mitigation Measures on the Banking Sector

Restructured Loans in Other Sectors - April 2020

Values Restructured in Ksh '000'

Number of Accounts Restructured	Nature of restructuring					
	Renegotiated Terms (maturity, interest rates, fees)	Moratorium (on Principal or interest)	Interest rates/ Fees freeze	Other Form of Restructuring	Total	% of total per sector
Agriculture	2,065,116	9,614,594	4,734	184,037	11,868,481	7.0
Manufacturing	11,793,396	10,804,090	9,267	509,317	23,116,070	13.6
Building and construction	5,578,752	3,381,363	-	156,537	9,116,652	5.3
Mining and Quarrying	49,519	480,170	-	-	529,688	0.3
Energy and water	14,520	2,763,400	-	24,315	2,802,235	1.6
Trade	11,043,421	31,320,034	16,350	2,510,360	44,890,165	26.3
Tourism, Restaurant and Hotels	11,458,487	10,472,160	517	1,190,577	23,121,742	13.6
Transport and Communication	10,109,671	10,520,541	-	252,684	20,882,896	12.2
Real Estate	7,308,487	23,928,382	-	437,579	31,674,448	18.6
Financial Services	122,759	2,433,075	-	5,295	2,561,128	1.5
Total	**59,544,127**	**105,717,809**	**30,868**	**5,270,701**	**170,563,505**	**100.0**

2b. Impact of COVID-19 Mitigation Measures on the Banking Sector

Restructured Loans in Other Sectors - April 2020

- In April, the restructured loans in the other ten (10) sectors were:
  - Worth Ksh.170.6 billion, which accounted for 5.95 percent of the total loan book as at April (Ksh.2,868.05 billion) compared to Ksh.81.6 billion in March , which accounted for 2.84 percent of the total loan book (Ksh.2,847.44 billion).
  - 45,537 loan accounts; an increase from 1,841 loan accounts restructured in March.
  - 8.73 percent of the total 521,851 loan accounts in the ten sectors as at April.
  - For Trade Sector with 36,854 (80.9 percent of total loans restructured) of loan accounts restructured.
    - This accounted for 13.9 percent of the total loan accounts (264,636) in the Trade Sector as at April.
- In total, 32 out of 39 banks restructured loans in the other ten sectors.
- In value terms, the sectors that recorded the highest restructuring in April are:
  - Trade (26.3 percent).
  - Real Estate (18.6 percent).
  - Tourism, Restaurants and Hotels (13.6 percent).
  - Manufacturing (13.6 percent).
- Total restructured loans in April amounted to Ksh.273.1 billion or 9.6 percent of the total banking sector loan book of Ksh.2.8 trillion.

2b. Profile of Restructured Loans

Agriculture Sector

- Cereal Millers
- Horticultural and Flower Farms
- Farmers Cooperatives
- Farms and Ranches
- Individual Farmers
- Agricultural Produce Processors

Real Estate Sector

- Building Contractors
- Construction Material Suppliers
- Property Agents
- Malls and Business Parks
- Property Developers
- Construction Material Manufacturers

Building and Construction Sector

- Small and Medium Construction firms
- Construction material suppliers
- Construction Consultants
- Large Construction Companies

2b. Profile of Restructured Loans

Manufacturing Sector

- Home Appliances Manufacturers
- Fast Moving Consumer Goods (FMCG) Manufacturers
- Stationery Manufacturers
- Saw mill companies
- Steel and Wire Manufacturers
- Food Products Manufacturers
- Packaging Materials Manufacturers

Tourism Sector

- Regional Hotels
- Tour Firms
- Domestic Hotels
- Estate Hotel Establishments
- Restaurants and Clubs

Personal Sector

- Engineers
- Children Homes and Churches
- Pilots
- Surgeons
- Colleges and Schools

2b. Profile of Restructured Loans

Trade

- Tea Brokers
- Schools
- Churches
- Spare Parts Traders
- Oil Traders
- Dairy Co-operatives
- Tea Exporters

Energy

- Petroleum Distributors
- Petroleum Products Manufacturers
- Electrical Works
- Drilling Companies
- Energy Products Suppliers

Transport & Communication

- Bus Companies
- Airlines
- Vehicle Assemblers
- Freighters and Logistics Companies
- IT Systems Integrators
- Tours Transport Companies

2c. Impact of Reduced Cash Reserve Ratio

- As at May 15, 2020, eighteen commercial banks and two microfinance banks had been granted approval to access Ksh.29.08 billion freed from the reduction in CRR.
- This accounted for 82.61 percent of the Ksh.35.2 billion freed by the 1 percent reduction in CRR.
- With 82.61 percent having been used in just one and half months, depicts the relief provided to borrowers to address the impact of COVID-19.
- The main sectors funded are Tourism (34.51 percent), Transport and Communication (13.76 percent), Trade (12.38 percent), Real Estate (12.37 percent), Manufacturing (11.77 percent), and Agriculture (10.91 percent).

Economic Sectors	Total Amount Approved, Ksh.'Million	Percentage of Total (%)
Manufacturing	3,422,080	11.77
Real Estate	3,595,348	12.37
Agriculture	3,172,524	10.91
Energy and Water	31,368	0.11
Tourism, Restaurant and Hotels	10,033,540	34.51
Transport and Communication	4,001,210	13.76
Personal/Household	1,041,368	3.58
Trade	3,600,272	12.38
Financial Services	18,390	0.06
Building and Construction	143,919	0.49
Mining and Quarrying	16,206	0.06
Grand Total	**29,076,224**	**100**

2c. Profile of Borrowers of CRR Funds

Real Estate Sector

- Property Agents
- Residential and Commercial Property Owners
- Property Developers

Agriculture Sector

- Horticultural Farms and
- Traders
- Sisal Estate
- Flower Farms
- Individual Farmers
- Agricultural Produce Processors

Manufacturing Sector

- Tea Processing Factories
- Book Publishers
- Chemical Manufacturers
- Steel Milling Companies
- Food Processors

2c. Profile of Borrowers of CRR Funds

Tourism Sector

- Tour Firms
- Domestic Hotels
- Estate Hotel Establishments
- Restaurants and Clubs

Trade

- Law Firms
- Colleges and Schools
- Churches
- Spare Parts Traders
- Oil Traders
- Motor Vehicle Dealing Companies
- Health Provider

Transport & Communication

- Bus Companies
- Local Transport firms
- Airlines
- Tours & Transport Companies

2d. Impact of Emergency Measures on Mobile Money Transactions

Number of Transactions	Pre-Measures, Daily Average No. of	Daily Average No. of Transactions (16.03 – 19.04.2020)	Daily Average No. of Transactions (20.04 – 10.05.2020)	Change
	A	B	C	C - A
1 - 49	476,574	407,637	422,193	-54,381
50 - 100	1,486,858	1,058,463	1,057,807	-429,051
101 - 500	1,226,440	1,832,588	2,083,781	857,341
501 - 1000	712,998	1,245,553	1,405,383	692,385
1001 - 10000	1,228,053	745,628	727,354	-500,699
10001-35000	115,680	96,117	97,840	-17,840
35001-70000	27,205	16,518	16,635	-10,570
70001-150000	-	4,199	5,457	5,457
TOTAL	**5,273,809**	**5,406,703.23**	**5,816,449.81**	**542,641**

Value of Transactions, Ksh.'Million	Pre-Measures, Daily Average Value of Transactions	Daily Average Value of Transactions, (16.03 – 19.04.2020)	Daily Average Value of Transactions, (20.04 – 10.05.2020)	Change
	A	B	C	C - A
1 - 49	10.02	8.58	9.19	-0.83
50 - 100	130.41	86.86	84.86	-45.55
101 - 500	385.85	55.23	621.42	235.57
501 - 1000	532.50	1,084.94	1,229.95	697.45
1001 - 10000	3,629.46	2,494.68	2,454.11	-1,175.35
10001-30000	1,927.81	1,703.37	1,734.87	-192.94
30001-70000	1,275.43	820.15	819.55	-455.88
70001-150000	-	428.53	564.48	564.48
Total	**7,891.48**	**6,682.33**	**7,518.44**	**-373.04**

- The bands 101-500 and 501-1000 have recorded increased transaction volumes and values.
  - This confirms that the waiver of fees for up to Ksh.1,000 encouraged more mobile money transactions.
- The new Ksh.70,001 - Ksh.150,000 band recorded an average 5,457 transactions worth Ksh.564.48 million per day.
  - This justifies the introduction of the higher limit for mobile money as part of the emergency measures.

2d. Impact of Emergency Measures on Mobile Money Transactions

Bank to E-Wallet	Pre-measures, Average No. of Transactions	Weekly Average No. of Transactions, 16.03 – 19.04.2020	Weekly Average No. of Transactions, 20.04 – 10.05.2020	Change		Post-measures, Average weekly Value of Transactions (Ksh.000)	Weekly Average Value of Transactions, Ksh.'000, 16.03 – 19.04.2020	Weekly Average Value of Transactions, Ksh.'000, 20.04 – 10.05.2020	Change
	A	B	C	C-A		A	B	C	C-A
1 - 49	4,285	11,397	11,336	7,051		276	279	277	1
50 - 100	26,810	73,714	85,870	59,060		6,267	6,780	7,924	1,657
101 - 500	185,783	290,745	339,451	153,668		93,466	97,906	114,565	21,099
501 - 1000	209,962	349,320	386,380	176,418		256,257	323,508	351,721	95,464
1001 - 10000	889,620	858,433	994,454	104,834		4,139,887	3,803,129	4,307,614	167,727
10001-35000	348,765	302,391	337,080	-11,685		7,123,740	6,418,644	7,085,710	(38,030)
35001-70000	84,867	61,218	63,468	-21,399		3,755,778	3,266,817	3,334,722	(421,056)
70001-150000	-	16,740	19,949	19,949		1,844,036	1,841,923	2,183,303	339,267
TOTAL	**1,750,091**	**1,963,958**	**2,237,989**	**487,898**		**17,219,707**	**15,758,985**	**17,385,837**	**166,130**

- The new band of Ksh.70,001 to Ksh.150,000 recorded an increased average of 19,949 transactions per week worth an average of Ksh.339 million over the last two months.
- Except for bands 10001- 35,000 and 35001-70000, all the other bands recorded increased volume and value of transactions.
- The increase in values of bank to e-wallet transfers may imply some success in the measure of reducing use of physical cash by Kenyans.

2d. Impact of Emergency Measures on Mobile Money Transactions

E-Wallet to Bank								
	Pre-measures, Average No. Transactions	Weekly Average No. of Transactions, 16.03 – 19.04.2020	Weekly Average No. of Transactions, 20.04 – 10.05.2020	Change	Pre-measures, Average weekly Value of Transactions, Ksh.000	Weekly Average Value of Transactions, Ksh.'000, 16.03 – 19.04.2020	Weekly Average Value of Transactions, Ksh.'000, 20.04 – 10.05.2020	Change
1 - 49	**A**	**B**	**C**	**C-A**	**A**	**B**	**C**	**C-A**
1 - 49	15,102	13,833	14,704	-398	10.02	263	281	271
50 - 100	68,451	42,805	45,595	-22,856	130.41	3,662	3,858	3,728
101 - 500	60,887	90,984	118,233	57,346	385.85	30,319	39,276	38,890
501 - 1000	54,886	95,339	112,470	57,584	532.50	89,866	103,436	102,904
1001 - 10000	253,466	239,466	316,220	62,754	3,629.46	1,149,955	1,492,360	1,488,731
10001-35000	129,758	128,550	167,858	38,100	1,927.81	2,569,383	3,358,648	3,356,720
35001-70000	60,479	65,227	96,485	36,006	1,275.43	3,418,939	4,995,600	4,994,325
70001-150000	-	38549.00	65,208	65,208	-	4,291,545	7,370,576	7,370,576
TOTAL	**643,029**	**714,753**	**936,774**	**293,745**	**7,891.48**	**11,553,931**	**17,364,034**	**17,356,143**

- All bands registered increased volume and value of transactions.
- Generally, the highest increase is under the higher bands.
- The increase is a pointer of increased adoption of electronic depositing of funds in bank accounts.

2d. COVID-19 Response Support by Banking Sector

- Cash contributions to COVID-19 Emergency Response Fund.
- Donation of critical medical equipment in particular ventilators.
- In kind contributions-Personal Protective Equipment.
  - Face masks.
  - Gloves.
- COVID-19 awareness and sensitization.
- Support of community initiatives on promoting sanitization-handwashing.
- **Most importantly, banks have continued to provide services in the pandemic period even in locked down areas while ensuring health and safety of staff and customers.**

3. Support for SMEs by Banks

- Banks have developed 'anytime anywhere' digital products for SMEs-Stawi, DADA, M-Jeki, MobiGrow.
- SME value chain products.
- Dedicated SME funds-Equity, ABSA, Family Bank.
- Finance Plus Support-Training and market development for SMEs:-
  - Co-op/IFC partnership.
  - KCB/Mastercard.
  - Standard Chartered/Strathmore College.

Thank You!

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